

ALLOWANCES (FUNCTION 920)

This function contains two parts: allowances for civilian agency payraises and contingencies for future unforeseen requirements.

Function Totals: In Billions of Dollars

	1981 Estimates			1982 Estimates		
	2nd Bud. Res.	Pres. Latest Request	CBO Estimate of Pres. Request <u>a/</u>	CBO Baseline Projection <u>a/</u>	Pres. Budget Request	CBO Estimate of Pres. Request <u>a/</u>
Budget Authority	0.4	1.7	1.7	1.5	3.0	2.9
Outlays	0.45	1.7	1.7	1.4	1.9	1.9

a/ Preliminary, subject to change.

CIVILIAN AGENCY PAYRAISES

As defined by current law, the Administration estimate of comparability would require a 13.5 percent payraise for fiscal year 1982. As part of the Administration's effort to contain inflation, however, President Carter has proposed a 5.5 percent payraise for 1982. He has also cut back on the recommendation of the quadrennial Commission on Executive, Legislative, and Judicial Salaries by proposing a 16.8 percent payraise for top-level federal officials for the remainder of fiscal year 1981.

The President has also proposed legislation that would broaden the concept of comparability to include benefits as well as pay. It would add state and local government employee compensation to the private industry data now used to calculate compensation scales. These changes, and a number of other adjustments, are an attempt to improve federal comparability with nonfederal compensation. Under this legislative proposal, civilian comparability payraises would be 8.6 percent for fiscal year 1982. Compared to a full 13.5 percent comparability payraise, an estimate of 8.6 percent would reduce civilian agency federal pay by about \$1.2 billion in

1982. The President's 5.5 percent payraise proposal would save an additional \$0.8 billion.

For both 1981 and 1982, the Administration assumes that some of the payraise cost will be absorbed by civilian agencies from funds already appropriated. Based on the President's request, it appears that the nontrust fund programs of the civilian agencies are expected to absorb about 17 percent (or about \$350 million) of the 9.1 percent October 1980 increase and about 33 percent (or about \$450 million) of the 5.5 percent October 1981 payraise.

The CBO baseline projection assumes a 10.2 percent payraise and 35 percent absorption. This raise would reimburse federal workers for the loss in purchasing power during fiscal year 1981 but does not provide for full comparability. The President's 5.5 percent payraise proposal would reduce civilian agency pay by roughly \$550 million relative to the CBO baseline projection.

The CBO estimate of the President's request differs from the President's request in 1982 as a result of the treatment of trust fund and revolving fund payraises. CBO carries payraises for civilian employees paid by these funds within the function containing each fund. The Administration includes payraises for all civilian employees in function 920. Thus, the CBO estimate of budget authority and outlays is lower by about \$70 million in 1982.

CONTINGENCIES

The contingency allowance for possible future requirements totals \$2 billion in budget authority and \$1 billion in outlays in the President's 1982 budget. This request is not targeted for any specific needs or programs.

UNDISTRIBUTED OFFSETTING RECEIPTS (FUNCTION 950)

This function is composed of intragovernmental and proprietary receipts that are not assigned to any other function. Intragovernmental receipts are payments from one part of government to another; proprietary receipts come from the public.

Function Totals: In Billions of Dollars

	1981 Estimates			1982 Estimates		
	2nd Bud. Res.	Pres. Latest Request	CBO Estimate of Pres. Request <u>a/</u>	CBO Baseline Projection <u>a/</u>	Pres. Budget Request	CBO Estimate of Pres. Request <u>a/</u>
Budget Authority	-25.8	-27.8	-28.2	-34.5	-31.9	-33.6
Outlays	-25.8	-27.8	-28.2	-34.5	-31.9	-33.6

a/ Preliminary, subject to change.

EMPLOYER SHARE/EMPLOYEE RETIREMENT

Employer share is the federal government's contribution to its employees' retirement plans. Most of these payments are made to the civil service retirement fund and the social security trust funds. This intragovernmental receipt grows each year as a result of federal payraises and increases in social security withholding rates and maximum taxable wage levels (effective both in 1981 and 1982). The President estimates that this receipt will total \$6.6 billion in 1981 and \$6.8 billion in 1982, compared to \$5.8 billion in 1980. As a result of lower covered payroll assumptions, CBO estimates the 1981 receipts to be \$0.3 billion less than the President's estimate. For fiscal year 1982, CBO estimates that net receipts will be \$0.1 billion more than the Administration. CBO projects \$0.4 billion more in receipts because of the inclusion of the President's 5.5 percent 1982 payraise, which the Administration does not include. This amount is offset by a \$0.3 billion reduction as a result of CBO's lower covered payroll assumption.

INTEREST RECEIVED BY TRUST FUNDS

Interest received by trust funds is the income that trust funds earn on their investment in public debt securities. The size of this intragovernmental receipt primarily depends on the net trust fund surplus and on interest rates for public debt securities. President Carter is estimating receipts of \$13.4 billion in 1981 and \$15.2 billion in 1982. The largest 1982 increases are anticipated for the civil service retirement and disability trust fund (\$1.4 billion) and the federal hospital insurance trust fund (\$0.7 billion). The President's 1982 estimate includes \$0.5 billion in receipts from proposed legislation, primarily from higher tax revenues in the highway and airport trust funds. CBO estimates that these receipts will total \$13.7 billion in 1981 and \$16.6 billion in 1982, assuming enactment of proposed legislation.

RENTS AND ROYALTIES ON THE OUTER CONTINENTAL SHELF

Receipts are derived from the sale of leases on Outer Continental Shelf (OCS) lands, from annual rental fees, and from royalties on oil and gas production from leased lands.

Cash bonuses represent the largest single component. The bonuses received from the lease sales are highly variable. They depend on the quality and quantity of acreage offered, as well as on subjective evaluations made by oil and gas exploration companies. Recent large increases in the world price of oil, high oil company profits (and liquid assets), and the instability of Middle East oil supplies have resulted in rapidly rising bonus bids.

For fiscal year 1981, the Administration is estimating receipts of \$7.8 billion. The CBO estimate is \$0.4 billion higher (\$8.2 billion) because of differing estimates of the July 1981 Gulf of Mexico sale (Sale A66).

It should be noted that some uncertainty exists about whether receipts from Sale A62 (held on September 30, 1980) should be recorded in fiscal year 1980 or 1981. These receipts, totalling \$561 million, were received on September 30th as deposits on bids, but final disposition of the bids did not occur until October. Although such deposits have traditionally been treated as receipts on the sale day, OMB has suggested that it may be appropriate to record them as 1981 receipts. As yet, neither the Administration nor CBO estimates for 1981 include these receipts.

The Administration is projecting a new high of \$9.9 billion in fiscal year 1982 receipts. CBO estimates revenues to be \$0.2 billion higher at \$10.1 billion. The main difference in estimates is the higher receipts CBO projects for three Gulf of Mexico lease sales scheduled in 1982.

APPENDIX

APPENDIX. MAJOR CONTRIBUTORS TO THE PREPARATION OF THIS REPORT

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